

Bonnie Lowenthal, Vice Mayor, 1st District
Suja Lowenthal, 2nd District
Gary DeLong, 3rd District
Patrick O'Donnell, 4th District



Gerrie Schipske, 5th District
Vacant, 6th District
Tonia Reyes Uranga, 7th District
Rae Gabelich, 8th District
Val Lerch, 9th District

Gerald R. Miller, City Manager
Larry G. Herrera, City Clerk

Bob Foster, Mayor

Robert E. Shannon, City Attorney

**CITY COUNCIL SUPPLEMENTAL AGENDA
FOR MEETING OF APRIL 10, 2007**

This Supplemental Agenda contains corrections and additions, which were posted more than 72 hours in advance of the above meeting date.

SUPPLEMENTAL AGENDA (ADDITIONS)

27. 07-0394 Recommendation to refer discussion of Retiree Health Care and Other Post Employment Benefits (OPEB) to the Budget Oversight Committee.

Office or Department: FINANCIAL MANAGEMENT

Suggested Action: Approve recommendation.

28. 07-0419 Recommendation to request City Attorney to draft a resolution in support of the Air Quality Management District's conditions for funding projects with Proposition 1B bond funds in the South Coast District and refer the matter to the State Legislation Committee for advocacy and monitoring.

Office or Department: COUNCILMEMBER TONIA REYES URANGA,
SEVENTH DISTRICT

Suggested Action: Approve recommendation.

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CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802

NB-27

April 10, 2007

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Refer Discussion of Retiree Health Care and Other Post Employment Benefits (OPEB) to the Budget Oversight Committee.

DISCUSSION

For several decades, the City of Long Beach has provided Other Post Employment Benefits (OPEB) to its retirees. OPEB costs are defined as *non-pension* retiree benefits including health care, dental, vision, short- and long-term disability, and long-term care benefits. Most governments offer OPEB's, but at widely varying benefit levels.

Attached is a synopsis of a survey recently conducted by the League of California Cities regarding retiree health benefits. Included amongst the 234 responding cities are San Francisco, Fresno, Sacramento, Bakersfield, Costa Mesa and Glendale. Though there will be an additional liability for the City to accrue, it is evident from discussions with the City's actuary that Long Beach's exposure is far less than many other entities that provide OPEB's. This is simply a fact given that Long Beach has a relatively low cap on OPEB's provided, where many other entities have been much more generous, up to and including some that provide lifetime medical coverage to their retirees.

The total cost of retiree health care and other benefits is currently \$12.6 million. The City of Long Beach allows employees to convert unused sick leave hours that accumulate during their City careers into a balance upon retirement to cover what would otherwise be an employee's cost of their OPEB benefits. The City itself pays \$6 million annually for this purpose. The remaining \$6.6 million in annual retiree OPEB costs are paid for by the retirees themselves from their PERS pension benefits and/or out-of-pocket contributions.

In addition, current employees are accruing their unused sick leave hours to help fund the cost of their future, out-year OPEB benefits. The unfunded liability associated with the value of unused sick leave currently accruing by active employees has always been recorded on the City's financial statements under Governmental Accounting Standards Board (GASB) Pronouncement No. 16.

As previously communicated by staff to the City Council during the adoption of the FY07 budget, at Budget Oversight Committee meetings and in questions asked by individual Councilmembers, a recent change in governmental accounting standards, known as GASB No. 45, requires that

governments now disclose the unfunded liability associated with the implied subsidy that retirees receive for their benefits. This implied subsidy is due to the fact that most governments combine retiree and active employee health care claims together to develop single, blended health care rates for both populations.

In blending the rates, retirees receive a discounted, or subsidized health insurance rate since generally speaking retiree health care costs are higher than health care costs for the active employee population. The unfunded liability associated with the out-year costs related to this subsidy for current and future retirees must be disclosed in the City's annual financial statements starting with Fiscal Year 2008.

The City of Long Beach has hired an independent actuarial firm, Bartel and Associates, to conduct the actuarial analysis required by GASB 45. The Department of Financial Management will present the report to the Budget Oversight Committee (BOC) on the amount of the unfunded liability of the City's subsidy, as well as possible funding options for the City to consider. It is expected that subsequent to deliberations, the BOC will make recommendations to the full City Council.

TIMING CONSIDERATIONS

City Council action on this matter is not time critical.

FISCAL IMPACT

There is no fiscal impact associated with the recommended action.

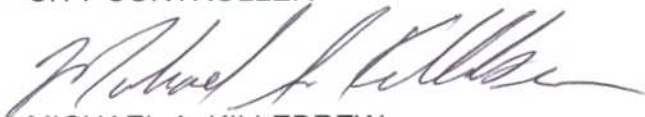
SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



LORI ANN FARRELL
CITY CONTROLLER



MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

MK:LAF:LDC

ATTACHMENT

APPROVED:



GERALD R. MILLER
CITY MANAGER

Retiree Health Benefits

2006-07 Initial Summary of Survey Findings League of California Cities

“The bill is coming due for years of generous benefits bestowed upon the nation’s public employees, and it’s a stunner: hundreds of billions of dollars over the next three decades, threatening some local governments with bankruptcy and all but guaranteeing cuts in services like education and public safety.” –Sacramento Bee, September 25, 2006

As the new Government Accounting Standards Board (GASB) rules that require public agencies to disclose the future costs of healthcare and other post employment benefits (OPEB) come into effect, California Cities must begin to acknowledge the financial implications of their retiree health benefit programs and other post employment benefits.

Leading the way towards a better understanding of this issue, the League of California Cities has conducted a survey on Retiree Health Benefits to identify the costs, funding, and specifics of each city’s Retiree Health Benefit Program. 234 cities responded to the survey including: San Francisco, Fresno, Sacramento, Long Beach, Fairfield, Eureka, Bakersfield, Costa Mesa, Tustin, Glendale, and Napa.

The overwhelming majority of cities that responded (86%) offered health benefits to their retired employees. Of those cities that offer health benefits, 80% characterize their current funding situation as “pay-as-you-go”, while only seven of the cities responded that their retiree health program is fully funded (i.e. stopped the balance from growing and paying off liability). Only 30% of cities reported that they had performed an actuarial study under GASB 45 requirements. Of those that performed the actuarial study, cities’ liability as percentage of payroll ranged broadly from a low of 4.94% to a high of 127.5%.

Finance

- 58% of cities cap employer contributions. These caps tend vary based on bargaining units.
- 25% of cities cap their contribution as a percentage of the total premium provided. This percentage tends to vary based on years of service and bargaining unit.
- 22% of cities offer a sick leave conversion program to assist future retirees to pay premiums.

Eligibility and Service Requirements for Current Retiree Health Benefit Plans


- 46% of cities that responded reported that they had made changes to benefits, eligibility or funding of retiree health benefits in the past ten years.
- 84% of cities include retirees in the same risk pool as active employees.
- 78% of cities pay the same premium rates for retirees and active employees.
- 85% of cities require Medicare assignment past age 65.
- 81% offer healthcare coverage for dependents of retirees, and 69% offer healthcare coverage to survivors of retirees.
- 26% of cities have “tiered” health benefits, meaning that health benefits vary based on bargaining unit, date of hire, and/or years of service.



NB-28

Date: April 10, 2007

To: Honorable Mayor and Members of the City Council

From: Councilmember Tonia Reyes Uranga, Seventh District 

Subject: **AGENDA ITEM: Resolution in support of the South Coast AQMD conditions for the consideration of projects funded by Proposition 1B bonds.**

The City of Long Beach is the epicenter of goods movement in the country with the Ports of Long Beach, the I-710 freeway, and Intermodal transfer facilities accessing the Alameda Corridor. Facilitating to movement of cargo via rail and highways creates significant burdens on the local infrastructure, and adverse health impacts. To address these issues, the City Council adopted Resolution No. RES – 06-0080 in support of California's Infrastructure Bond Package, Propositions 1A through 1E, approved by voters in November 2006.

The California Legislature, the California Air Resources Board (CARB) and the California Transportation Commission (CTC) are currently working on several legislative proposals to appropriate and direct the expenditure of the \$1 billion bond funds secured by Proposition 1B for air quality improvements and transportation improvement programs. The South Coast Air Quality Management District (AQMD) has responsibility for developing programs and policies for projects in the South Coast District to ensure that funding is optimally deployed to meet air quality goals consistent with the Legislature's priorities. The AQMD adopted recommendations to the California Legislature, CARB and the CTC to ensure that Proposition 1B funds are expended in a manner benefiting air quality in the South Coast District.

The conditions seek to guide CARB expenditure decisions to address issues of environmental justices by giving first priority to projects that mitigate the air quality impacts of goods movement. I believe it would benefit our residents and businesses for the City to join the AQMD to advocate for projects and programs that would reduce emissions to attain federal ambient air quality standards.

Suggested Action: Request the City Attorney to draft a resolution in support of the Air Quality Management District's conditions for funding projects with Proposition 1B bond funds in the South Coast District and refer the matter to the State Legislation Committee for advocacy and monitoring.

Attachment

SCAQMD
BOND EXPENDITURE CONDITIONS

- **Port-Related On-Road Infrastructure.** Any expenditure for highway, bridge or other on-road infrastructure associated with port traffic shall be conditioned upon adoption of a program to turnover substantially all port drayage trucks to current emissions standards for new vehicles by 2011, and full funding of such program through port user fees or other equivalent mechanisms.
- **Environmental Analysis.** All funded infrastructure projects shall undergo full CEQA analysis and shall demonstrate, consistent with Administration policy, simultaneous and continuous emission reductions consistent with the most recently adopted air quality plan.
- **Rail Infrastructure.** Any expenditure for a new or modified rail infrastructure shall be conditioned on —
 - all diesel-powered switcher and helper locomotives being 90% controlled beyond Tier 2 standards for PM and NOx by 2011, and using 15-minute idle restrictors and only ULSD fuels after 2007, and
 - the fleet average of all long-haul locomotives being 90% controlled beyond Tier 2 standards for PM and NOx beginning in 2012 and fully implemented by 2014, and using 15-minute idle restrictors and ULSD fuels after 2007.
- **Port-Related Railyards.** Any expenditure for a new or modified railyard shall be conditioned on the yard being on-dock or in areas remote from residences, schools and other receptors.
- **Rail Project Priority.** Expenditures for rail infrastructure shall give highest priority for grade separation projects.
- **Rail Matching Funds.** Any expenditure for a new or modified rail infrastructure shall be conditioned on railroads providing a substantial match for such funding.
- **Construction Equipment.** Any expenditure for projects involving construction activities shall be conditioned on use of lowest emitting construction equipment and fuels available.
- **CARB \$1 Billion Expenditure Decisions.**
 - The CARB expenditure plan shall be consistent with Environmental Justice criteria in AB 1390.
 - Funding criteria and protocols will be the same as those applicable to expenditures under the Carl Moyer program.
 - CARB may pass through funds to air districts, local governments or ports.
 - The expenditure plan shall give first priority to mitigating the air quality impacts of goods movement and achieving emission reductions needed to attain federal ambient air quality standards.
 - CARB shall undertake a public process in determining all expenditures, including at least one public hearing.